

Message Text

PAGE 01 NATO 01489 01 OF 02 181639Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 EB-07 COME-00 FRB-03 NIC-01

OMB-01 SS-15 NSC-05 DODE-00 CIAE-00 PM-03 INR-07 L-02

ACDA-05 NSAE-00 PA-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 FEAE-00 INT-05 STR-01 CIEP-01 CEA-01 /081 W

----- 103730

P R 181515Z MAR 75

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 693

INFO ALL NATO CAPITALS 5151

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 1489

E.O. 11652: GDS

TAGS: PFOR, ECON, NATO

SUBJECT: ECONADS: STRATEGIC AND POLITICAL IMPLICATIONS OF
ECONOMIC SITUATION-FRG VIEW

REF: USNATO 1476

1. FRG ECONAD HAS DISTRIBUTED HIS GOVERNMENT'S COMMENTS REGARDING
US PAPER ON STRATEGIC AND POLITICAL IMPLICATIONS OF ECONOMIC
SITUATION (AC/127-WP/423). FRG AGREES GENERALLY WITH US ASSESS-
MENT, AND MOST OF ITS COMMENTS RELATE TO MORE RECENT STATISTICAL
DATA ON THE FRG. ECONOMIC COMMITTEE WILL ATTEMPT TO UPDATE FIGURES
IN REPORT WHERE THIS CAN BE DONE BY DRAWING ON ONE SOURCE,
PREFERABLY THE OECD. HOWEVER, USNATO WILL ARGUE AGAINST COM-
PLICATING PRESENTATION OF ECONOMIC DATA BY USING FIGURES
SUPPLIED BY INDIVIDUAL MEMBER COUNTRIES, SUCH AS FRG.

2. MISSION WOULD APPRECIATE DEPARTMENT'S EXPEDITIOUS REACTION
TO FRG COMMENTS.

3. FRG NOTE IS AS FOLLOWS:
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PAGE 02 NATO 01489 01 OF 02 181639Z

QUOTE:

I. GENERAL REMARKS

1. THE PROPOSED DISCUSSION ON THE ECONOMIC ASPECTS OF THE SECURITY OF THE ALLIANCE WITH THE PARTICIPATION OF GOVERNMENT REPRESENTATIVES WHO HAVE DECISION-MAKING RESPONSIBILITIES IN THE ECONOMIC FIELD IS WELCOMED. SUCH DISCUSSIONS TAKE ACCOUNT OF THE GROWING AWARENESS THAT MILITARY, POLITICAL AND ECONOMIC DEVELOPMENTS ARE INTERDEPENDENT, AND APPEAR SUITABLE TO PROMOTE THE REALIZATION THAT SECURITY IS INDIVISIBLE.

2. IN AGREEMENT WITH THE US STUDY WE ALSO SEE THE ALLIANCE ENDANGERED BY ECONOMIC FACTS AND DEVELOPMENTS, WHICH HAVE TO BE COUNTERED. ESPECIALLY IN THE CASE OF AN UPSET ECONOMIC AND POLITICAL ORDER IN THE COUNTRIES OF THE ALLIANCE WE FORESEE A WEAKENING OF THE WILLINGNESS OF THE POPULATION TO ASSERT ITSELF AGAINST POSSIBLE ATTACKS FROM OUTSIDE AND A DEMINISHING OF ITS READINESS TO ACCEPT THE NECESSARY DEFENCE BURDENS.

IN CONNECTION WITH THESE DANGERS, ESSENTIALLY THREE COMPLEXES WITH MANY ASPECTS ARE CONCERNED:

- THE VULNERABILITY OF THE ALLIANCE DUE TO THE STRONG DEPENDENCE OF ITS INDUSTRIES ON RAW MATERIAL RESOURCES OUTSIDE THE AREA OF THE ALLIANCE.

- THE VULNERABILITY OF THE ALLIANCE DUE TO A WEAKENING OF THE COMMITMENT TO THE ALLIANCE AS THE RESULT OF A RELAPSE INTO AN EGOISTIC APPROACH, E.G. PROTECTIONISM ETC.

- THE VULNERABILITY OF THE ALLIANCE DUE TO ILL-FATED DOMESTIC DEVELOPMENTS IN THE MEMBER COUNTRIES SUCH AS RECESSION, MASS UNEMPLOYMENT, INFLATION, POLITICAL REDICALIZATION.

3. THE PLANNED DISCUSSIONS SHOULD AND WILL NOT LEAD TO A DUPLICATION OF EFFORT IF THEY ARE UNDERSTOOD AS A SUPPLEMENT TO THE DISCUSSIONS IN OTHER, MOSTLY ECONOMICALLY ORIENTATED, INTERNATIONAL BODIES SUCH AS THE OECD, EEC AND IMF. THEIR OBJECTIVE SHOULD THEREFORE BE:
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PAGE 03 NATO 01489 01 OF 02 181639Z

- TO BE SUPPLEMENTARY TO THE ECONOMIC DISCUSSIONS-ESPECIALLY WITHIN THE OECD-TAKING ADDITIONALLY INTO CONSIDERATION MILITARY AND POLITICAL FACTS AND OPINIONS, AND THUS COMPLETING AND COORDINATING THE INFORMATION REQUIRED FOR ARRIVING AT A POLITICAL CONSENSUS OF THE ALLIES.

- TO AVOID CONFLICTS BETWEEN THE AIMS OF ECONOMIC POLICY MEASURES AGREED, FOR INSTANCE, WITHIN THE OECD AND MILITARY POLICY REQUIREMENTS WITHIN THE ALLIANCE; THIS COULD BE ACHIEVED FOR INSTANCE IN THAT THE ALLIES, ON THE BASIS OF COMMON SECURITY POLICY CONCEPTS, COORDINATE MORE INTESIVELY THEIR ECONOMIC POLICY MEASURES.

- RECIPROCAL SUPPORT AND FERTILIZATION OF NECESSARY ECONOMIC

POLICY MEASURES ON THE ONE HAND AND A STRATEGIC-POLITICAL APPROACH ON THE OTHER HAND; THUS THE SECURITY ASPECTS IN THE ALLIANCE COULD FACILITATE ANY OUTSTANDING AGREEMENTS ON ECONOMIC POLICY MEASURES AND, VICE VERSA, AN ECONOMIC POLITICAL APPROACH ALREADY AGREED OUTSIDE THE ALLIANCE COULD FURTHER AN OUTSTANDING AGREEMENT WITHIN THE ALLIANCE.

II. REMARKS ON VARIOUS POINTS

1. WITH RESPECT TO THE DEVELOPMENT OF THE BALANCE OF PAYMENTS OF THE NATO MEMBER COUNTRIES A HIGHER DEFICIT THAN IN 1974 IS EXPECTED FOR 1975 IN THE REPORT (SEE TABLE III). IT CAN ONLY BE SAID AT PRESENT THAT THE UNCERTAINTY CONNECTED WITH SUCH PROGNOSSES IS CONSIDERABLE. THE OECD SECRETARIAT, FOR INSTANCE, EXPECTS FOR ALL OECD COUNTRIES COMBINED FOR 1975 A LOWER DEFICIT IN THE CURRENT BALANCE THAN IN 1974. WE THINK THAT THIS PROGNOSIS OF THE OECD SECRETARIAT IS BY NO MEANS TOO OPTIMISTIC. AS REGARDS THE ALLIANCE, A HIGHER DEFICIT IS ALSO EXPECTED DUE TO THE CONSEQUENCES OF THE INCREASED EXPENDITURE FOR OIL IMPORTS (ALSO TABLE III). WE ALSO CONSIDER THIS PROGNOSIS QUITE WORTH DISCUSSING. ON THE BASIS OF CIF PRICES FOR CRUDE OIL IN DM IT HAS BEEN CALCULATED THAT FOR THE FEDERAL REPUBLIC OF GERMANY-NOT NECESSARILY-OIL IMPORTS WILL BE MORE EXPENSIVE IN 1975 THAN IN 1974. IT APPEARS MORE LIKELY THAT ON ACCOUNT OF THE EXCHANGE RATE CRUDE OIL IMPORTS WILL BECOME

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PAGE 04 NATO 01489 01 OF 02 181639Z

CHEAPER.

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PAGE 01 NATO 01489 02 OF 02 181652Z

46

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INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-03 INR-07 L-02

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DODE-00 FEAE-00 INT-05 STR-01 CIEP-01 CEA-01 /081 W

----- 103849

P R 181515Z MAR 75

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 694

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C O N F I D E N T I A L SECTION 2 OF 2 USNATO 1489

2. A) RE ITEM 10

THIS PARAGRAPH STATES THAT IN SPITE OF INCREASING EAST/WEST TRADE EAST/WEST INTERDEPENDENCE HAS NOT SUBSTANTIALLY INCREASED. THIS APPEARS NOT TO BE AS GENERALLY TRUE FOR THE SATELLITE COUNTRIES OF THE WARSAW PACT SINCE, FOR INSTANCE, ROMANIA'S FOREIGN TRADE VOLUME WITH THE WEST IS LARGER THAN THAT OF HER INTRABLOC TRADE ETC.

THE FOLLOWING WORDING IS THEREFORE PROPOSED: "... THEY DO NOT CONSTITUTE A MAJOR INCREASE IN USSR/WEST INTERDEPENDENCE; THIS DOES NOT APPLY, HOWEVER, TO SEVERAL OTHER COMECON COUNTRIES. MOREOVER, IT SHOULD BE REALIZED THAT EVEN IN CASE OF GROWING MUTUAL TRADE RELATIONS THE RESULTING DEPENDENCE OF THE EAST MAY NOT BE INSIGNIFICANT WITH RESPECT TO INDIVIDUAL PROJECTS BUT, SEEN IN OVERALL ECONOMIC TERMS, IS LIKELY TO BE INFERIOR TO THAT OF THE WEST."

B) RE ITEMS 25-27

CONFIDENTIAL

PAGE 02 NATO 01489 02 OF 02 181652Z

IN THE SECTION "THE ECONOMIC OUTLOOK FOR THE WARSAW PACT" THERE SHOULD BE A REFERENCE TO THE LATEST PRICE INCREASES WITHIN THE COMECON.

C) RE ITEM 26, LAST BUT ONE LINE:

THE WORD "LARGELY" SHOULD BE INSERTED HERE: "... ROMANIA CONTINUES TO BE LARGELY ENERGY-INDEPENDENT".

3. AS REGARDS THE ECONOMIC DEVELOPMENT OF THE FEDERAL REPUBLIC OF GERMANY WE WOULD APPRECIATE THE FOLLOWING AMENDMENTS:

A) RE ITEM 14:

LINE 10: REPLACE THE FIGURE "1" BY "1/2"

LINE 11: REPLACE THE FIGURE "2.5" BY "2"

RE. ITEM 15: LINE 12: REPLACE THE FIGURE "7.5" BY "7"

B) RE TABLE I:

COLUMNS "1974" AND "1975" - GERMANY" REPLACE THE FIGURES
"1.0" BY "0.4" AND "2.5" BY "2.0". (IT APPEARS LIKELY THAT
THE DATA OF THE OTHER NATO COUNTRIES WILL ALSO HAVE TO BE MORE
OR LESS AMENDED..)

C) RE TABLE II:

COLUMNS "1974" AND "1975" -GERMANY-REPLACE THE FIGURES
"7.5" BY "7.0" AND "7.0" BY "6.0".

D) RE TABLE IV:

ASSUMING THAT THIS TABLE IS TO SHOW THE RATES OF CHANGE
OF THE - REAL - GOVERNMENT EXPENDITURES COMPARED WITH EACH
PREVIOUS YEAR - WHICH SHOULD BE INDICATED AS SUCH - THE LATEST
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PAGE 03 NATO 01489 02 OF 02 181652Z

DATA FOR GERMANY ARE AS FOLLOWS:

1973	1974	1975
4.0 PLUS)	4.4 PLUS)	3.3 PLUS PLUS)

PLUS) SOURCE: FEDERAL STATISTICAL OFFICE

PLUS PLUS) SOURCE: PROJECTION OF THE FEDERAL GOVERNMENT DATED

21.1.1975

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Message Attributes

Automatic Decaptioning: X
Capture Date: 18 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NATO001489
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750398/abbrziux.tel
Line Count: 249
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: USNATO 1476
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 15 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 APR 2003 by ShawDG>; APPROVED <16 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONADS: STRATEGIC AND POLITICAL IMPLICATIONS OF ECONOMIC SITUATION-FRG VIEW
TAGS: PFOR, ECON, NATO
To: STATE INFO ALL NATO CAPITALS
OECD PARIS
EC BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006